

U.S. Small Business Administration



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Mission

- SBA was created to help people get into business, grow their business, and stay in business.

Types of Assistance

- Financial Assistance
- Entrepreneurial Development
- Procurement Assistance

Financial Assistance

- Overview of SBA loan programs
- Provide guarantee's to lender's loans

Loan Program Requirements

- Must be a “For Profit” business
- Must qualify as small under SBA size standards.
- Must be unable to borrow on reasonable terms from conventional lenders without government help.
- Must not have the personal or business resources to provide the financing and must be able to demonstrate repayment.



Types of SBA Loans

- 7(a) Loan Guaranty Program
- 504 Certified Development Company Loan Program

(SBA disaster loans are the only direct loan)

Major Loan Guaranty Programs

7(a) Business Loans

- CAPLines (lines of credit)
- SBAExpress
- Rural Lender Advantage
- Community Express
- Loans for exporters (EWCP & IT)
- Patriot Express Loan
- Disaster Assistance

7(a) cont. – Use of Loan Proceeds

- Real estate – purchase or construction
- Machinery and equipment
- Inventory
- Working capital
- Finance start-ups
- Some debt refinancing

7(a) cont. – Loan Maximums

- No limit on # of loans – max. guaranteed amount is \$1,500,000 and max. loan size is \$2,000,000
- Fee paid to SBA based on guaranteed portion

7(a) cont. – Loan Maturities/Rates

- 5 to 7 years for working capital
- Up to 10 years for equipment
- Up to 25 years for real estate
- Rates are negotiated with lender

(SBA sets max. 2 $\frac{3}{4}$ % over NYP in most cases. Lenders may charge higher rates on loans less than \$50,000)

Patriot Express

- New loan program designed for our returning National Guard, Reservist and Veterans

504 Loan Program

- Purpose: Fixed assets only (purchase land, building, improvements, modernizing/renovating)
- Cannot be used for working capital or debt refinancing
- Maximum SBA participation is \$1,500,000 – minimum is \$50,000
- Maturity is 10 or 20 years
- Must create or retain one job for every \$50,000 guaranteed



504 Loan Program Benefits

- 10% equity injection by borrower
- Lower interest rate
- Longer term



Entrepreneurial Development

- Helping entrepreneurs
 - Develop Business Plans



Entrepreneurial Development Programs

- **SCORE**
 - **Service Corps of Retired Executives**
 - Billings Chapter located at MSUB
 - 406-294-4422
- **SBDC**
 - **Small Business Development Centers**
 - Rebecca Helvik, SBDC Director, Billings
 - 406-869-8412
 - Blayr Barnard, SBDC Director, Colstrip
 - 406-748-2990
- **WBCs**
 - **Women's Business Centers**
- **SBA Classroom www.sba.gov**



Procurement Assistance

- Assist small business doing business with the Government.

Procurement Assistance

- Insure that small businesses receive their fair share of government contracts.
- Programs...
 - Surety Bonds
 - 8(a)
 - HUBZone

Surety Bond Guaranty Program

- SBA can guarantee bonds for contracts up to \$2 million for small and emerging contractors who cannot obtain surety bonds through regular commercial channels.
- SBA provides bond company a guarantee of 80% to 90% on the bond.

Surety Bond Guaranty Program

- Eligible Industries
 - Construction
 - Service
 - Supply
 - Manufacturing
 - Cannot exceed 500-1000 employees
 - Other business cannot exceed \$6.5MM in sales, 3 year average.
- Fees are approximately 3¼ % of the contract if bid is successful



Surety Bond Guaranty Program

- Types of contract bonds available:
 - Bid - pre-qualifies the contractor to bid on specific projects.
 - Payment – guarantees suppliers of material, labor or services will be paid for work performed.
 - Performance-Bonds – guarantees the contractor will perform the job according to the terms and condition of the contract.

8(a) Business Development

- Objective

“To help socially and economically disadvantaged businesses grow through government contracting and business development assistance.”

8(a) Business Development

- Socially Disadvantaged
- Individuals are presumed to be socially disadvantaged if they are a U.S. Citizen and member of one of the following:
 - Black American
 - Asian Pacific American
 - Hispanic American
 - Native American
 - Subcontinent Asian American

8(a) Business Development

- Economically Disadvantaged individuals are socially disadvantaged persons whose ability to compete in the free enterprise system has been impaired due to diminished capital and credit.

Term of Participation

Year	1				
	2				developmental stage
	3				
	4				
Year	5	15% business mix 8(a) to non			
	6	25%	“	“	transitional stage
	7	35%	“	“	
	8	45%	“	“	
	9	55%	“	“	

Continuation in the program is dependent on the firm's continuing eligibility as a socially and economically disadvantaged owned/operated firm and continued compliance with the 8(a)BD participation agreement.

8(a) Business Development

- To be eligible you must...
 - Own 51% of company.
 - Be U.S. citizen.
 - Belong to a disadvantaged group.
 - Personal net worth cannot exceed \$250,000 exclude business and real estate equity.
 - Be a small business based on NAICS code.
 - Been in business for 2 yrs.
- Meet management and capability tests.

HUB Zone Contracting Program

- Provide federal contracting assistance for qualified small business concerns located in historically underutilized business zone, to:
 - Increase employment opportunities.
 - Stimulate capital investment in those areas.
 - Empower communities through economic leveraging “multiplier effect”

HUB Zone Benefit

- Set-aside awards
- Sole source awards
- Awards through full and open competition after application of 10% price evaluation preference
- Subcontracting Opportunities

HUBZone Contracting Program

- Historically Underutilized Business Zones (HUBZones).
 - Qualified Area
 - Metropolitan Area Census Tracts:
 - Qualified Census Tract- that meets test for Low Income and Housing Tax Credit
 - Non-metropolitan Counties:
 - Median household income is less than 80% of the non-metropolitan state level
 - Unemployment rate that is not less than 140% of the state-wide or U.S. average
 - Federally recognized Indian Reservations: to include lands meeting definition of Indian Country



HUBZone Contracting Program

- Provide economic development to communities through government contracts.
- Principal office must be located in a HUBZone.
- 51% owned by a U.S. citizen.
- 35% of employees must live in HUBZone areas.
- Must be small business according to NAICS code.

SBA Online Lender Resources

- www.sba.gov
 - For info. on all loan programs and services
- Montana District Office
 - 406.441.1081 (General)
- Billings AWS
 - 406-869-8421
 - John R. Klamann, Senior Area Manager

Borrower/Applicant Resources

- www.sba.gov
 - Online classroom – Small Business Training Network
 - SBA Resource Partners
 - SBDC (Small Business Development Centers)
 - 10 SBDC offices
 - SCORE – Counselor's to America's Small Business
 - 7 SCORE Chapters



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